

BIG RAPIDS HOUSING COMMISSION
BIG RAPIDS, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Big Rapids Housing Commission		County Mecosta
Audit Date 3/31/05	Opinion Date 6/9/05	Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

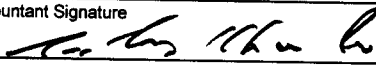
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Sailor, Khan and Company			
Street Address P.O. Box 16180		City St. Louis	State MO
Accountant Signature 		ZIP 63105	Date 6/9/05

BIG RAPIDS HOUSING COMMISSION
Big Rapids, Michigan

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Sailor Khan & Co.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Big Rapids Housing Commission
Big Rapids, Michigan

We have audited the accompanying basic financial statements of the Big Rapids Housing Commission, Michigan, (Commission) as of and for the year ended March 31, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Big Rapids Housing Commission, Michigan, as of March 31, 2005, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2005, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages ii to vii is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Sailor, Khan & Co.
June 9, 2005

Big Rapids Housing Commission

Management's Discussion and Analysis (MD&A)

March 31, 2005

(Unaudited)

This section of the Big Rapids Housing Commission (Commission) annual financial report presents our management's discussion and analysis of the Commission's financial performance during the fiscal year ended on March 31, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

For accounting purposes, the Housing Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

The Big Rapids Housing Commission operates several programs and the following briefly summarizes these programs:

Low Rent Public Housing

The Big Rapids Housing Commission currently operates public housing units within three distinctive developments, which include: South Parkview Village (MI-041-001), North Parkview Village (MI-041-002), and Evergreen Village (MI-041-003). The Housing Commission is responsible for the complete management and maintenance of all the public housing units and properties. The funds to operate these units are generated from rent revenues, interest income, miscellaneous income, and operating subsidy provided by the Department of Housing and Urban Development.

Capital Fund Program

The Big Rapids Housing Commission is awarded a capital fund grant each year, which is determined by HUD upon the level of appropriations from Congress. The funds are spent on various improvements to the public housing units, properties, and management needs. In the past fiscal year the Big Rapids Housing Commission completed roof replacements, siding replacements, flooring replacements, and computer replacements.

Childcare/Learning Center

The Big Rapids Housing Commission operates a childcare/learning center which is licensed by the State of Michigan for 55 children. The center provides quality childcare and a structured learning environment for children. The center priority is to serve the residents of public housing but is also open to the general public.

Management's Discussion and Analysis (MD&A) - Continued

Homeownership Program

The Big Rapids Housing Commission operates a Homeownership Program funded by Acquisition/Development/Resale (ADR) grants from the Michigan State Housing Development Authority. The housing commission acquires single family homes and then completely renovates each for sale to income qualified homebuyers. Public housing residents have priority in purchasing these homes.

Nisbett-Fairman Buildings

The Big Rapids Housing Commission is the managing general partner of the Nisbett-Fairman LDHA LP, which owns and operates the 47 senior apartments in the second and third floors of the Nisbett & Fairman buildings. The Big Rapids Housing Commission is the sole owner of the first floor of each building and rents the commercial space in each building to local businesses. The ownership of buildings is separated according to the Nisbett-Fairman Condominium Master Deed.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2005 were \$5,759,632. The net assets decreased by \$119,882, a decrease of 2.0% over the prior year.

Revenues and contributions for the Commission were \$2,105,149 for the year ended March 31, 2005. This was an increase of \$690,775 or 48.8% from the prior year.

Expenses for the Commission were \$2,227,578 for the year ended March 31, 2005. This was an increase of \$189,833 or 9.3% from the prior year.

HUD operating grants was \$591,910 for the year ended March 31, 2005. This was an increase of \$275,138 or 86.9% over the prior year. Capital contributions for the Commission was \$311,136 for the year ended March 31, 2005. This was an increase of \$311,136 or 100% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

Management's Discussion and Analysis (MD&A) - Continued

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Financial Statements

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended March 31, 2005 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$5,759,632 at the close of the year ended March 31, 2005 down from \$5,879,514 in 2004. The decrease in net assets of \$119,882 was primarily due to the change in net assets.

The unrestricted net assets were \$355,668 as of March 31, 2005. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF NET ASSETS
MARCH 31**

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 734,651	\$ 494,847	\$ 239,804	48.5%
Restricted assets	1,731	5,925	(4,194)	-70.8%
Capital assets	5,821,132	6,055,797	(234,665)	-3.9%
Other assets	8,087	8,296	(209)	-2.5%
Total Assets	<u>6,565,601</u>	<u>6,564,865</u>	<u>736</u>	0.0%
Current liabilities	389,670	239,843	149,827	62.5%
Noncurrent liabilities	416,299	445,508	(29,209)	-6.6%
Total Liabilities	<u>805,969</u>	<u>685,351</u>	<u>120,618</u>	17.6%
Net Assets				
Invested in capital assets	5,403,964	5,612,552	(208,588)	-3.7%
Unrestricted	355,668	266,962	88,706	33.2%
Total Net Assets	<u>\$ 5,759,632</u>	<u>\$ 5,879,514</u>	<u>\$ (119,882)</u>	-2.0%

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table on the following page total revenues and contributions increased by \$690,775 primarily due to increases in rental revenue, HUD operating grants, capital contributions and other income.

Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
MARCH 31**

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues and Contributions				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 793,710	\$ 746,951	46,759	6.3%
HUD operating grants	591,910	316,772	275,138	86.9%
Other operating grants	----	12,828	(12,828)	-100.0%
Interest income	2,925	4,022	(1,097)	-27.3%
Capital Contributions	311,136	----	311,136	100.0%
Other income	405,468	268,751	136,717	50.9%
Transfer in	----	65,000	(65,000)	-100.0%
Gain on sale of fixed assets	----	50	(50)	-100.0%
Total Revenues and Contributions	<u>2,105,149</u>	<u>1,414,374</u>	<u>690,775</u>	48.8%
Expenses				
Personal services	858,288	820,657	37,631	4.6%
Utilities	286,773	309,033	(22,260)	-7.2%
Operations and maintenance	153,156	130,848	22,308	17.0%
Insurance	75,051	105,962	(30,911)	-29.2%
Payment in lieu of taxes	52,312	49,022	3,290	6.7%
Other supplies and expenses	105,612	97,143	8,469	8.7%
Interest expense	37,261	33,067	4,194	12.7%
Loss on sale of fixed assets	31,552	----	31,552	100.0%
Other expense net from sale of property	92,379	----	92,379	100.0%
Depreciation	535,194	492,013	43,181	8.8%
Total Expenses	<u>2,227,578</u>	<u>2,037,745</u>	<u>189,833</u>	9.3%
Change in net assets	(122,429)	(623,371)	500,942	
Beginning net assets	5,879,514	6,502,885	(623,371)	
Prior period adjustments	<u>2,547</u>	<u>----</u>	<u>2,547</u>	
Beginning net assets, adjusted	<u>5,882,061</u>	<u>6,502,885</u>	<u>(620,824)</u>	
Ending net assets	\$ <u>5,759,632</u>	\$ <u>5,879,514</u>	\$ <u>(119,882)</u>	

Total expenses increased by \$189,833 primarily due to increase in personal services, operations and maintenance, other supplies and expenses, loss on sale of fixed assets, other expenses net from sale of property and depreciation. These were slightly offset by decreases in utilities and insurance.

Management's Discussion and Analysis (MD&A) - Continued

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Big Rapids Housing Commission's investment in capital assets, as of March 31, 2005 amounts to \$5,821,132 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION MARCH 31

	2005	2004	Dollar Change
Land	\$ 337,455	\$ 337,455	\$ ----
Building	12,876,897	12,441,273	435,624
Furniture, equipment and machinery- dwelling	172,556	167,435	5,121
Furniture, equipment and machinery- administration	312,333	285,494	26,839
Leasehold improvements	628,539	626,814	1,725
Construction in progress	-----	171,249	(171,249)
	14,327,780	14,029,720	298,060
Accumulated depreciation	8,506,648	7,973,923	532,725
Total	<u>\$ 5,821,132</u>	<u>\$ 6,055,797</u>	<u>\$ (234,665)</u>

The total decrease in the Commission's capital assets for the current fiscal year was \$234,665 in terms of net book value. The Commission has \$271,976 available in Capital Funds to draw down and spend in the future.

Debt Administration - As of the year ended March 31, 2005, the Commission had \$389,208 in long-term debt outstanding compared to \$417,240 last year, a \$28,031 decrease (debt retirement):

	FY 2005	FY 2004
Note Payable	417,169	150,000
Less: Current Portion	<u>27,961</u>	<u>150,000</u>
Total Long-term Debt	<u>\$ 389,208</u>	<u>\$ 417,240</u>

For more detail on notes incurred by the Commission refer to note 3h to the financial statements

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations; therefore, the Housing Commission is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2005 Federal budget.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Mr. Mark Sochocki, Executive Director; Big Rapids Housing Commission; 9 Parkview Village; Big Rapids, Michigan 49307.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF NET ASSETS

March 31, 2005

ASSETS

Current Assets:

Cash and cash equivalents	\$ 103,121.18
Investments	140,266.85
Receivable - net of allowances:	
Accounts	87,342.54
Accrued interest	289.49
Notes	23,763.92
Inventory - net of allowances	6,541.36
Inventory - held for sale	320,651.71
Prepaid expenses	<u>52,674.15</u>
Total Current Assets	<u>734,651.20</u>

Noncurrent Assets:

Restricted assets:

Cash and cash equivalents	<u>1,730.67</u>
Total restricted assets	<u>1,730.67</u>

Capital assets:

Land, improvements, and construction in progress	337,455.45
Other capital assets, net of depreciation	<u>5,483,676.92</u>
Total capital assets- net	<u>5,821,132.37</u>

Other assets

Investment in joint venture	1,000.00
Organization costs- net	<u>7,087.16</u>
Total other assets- net	<u>8,087.16</u>

Total Noncurrent Assets	<u>5,830,950.20</u>
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Total Assets	<u>\$ 6,565,601.40</u>
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See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF NET ASSETS (CONTINUED)

March 31, 2005

LIABILITIES

Current Liabilities:

Bank overdraft	\$ 7,385.06
Accounts Payable	84,570.31
Accrued salaries, wages and benefits	811.50
Accrued compensated absences	21,287.34
Tenant security deposit liability	85,651.00
Interest payable	2,421.58
Current portion of long term debt	177,960.62
Deferred revenues	<u>9,582.14</u>

Total Current Liabilities 389,669.55

Noncurrent Liabilities:

Long term debt	389,208.02
Accrued compensated absences	25,360.73
Deferred credits and escrow deposits	<u>1,730.67</u>

Total Noncurrent Liabilities 416,299.42

Total Liabilities 805,968.97

NET ASSETS

Invested in capital assets, net of related debt	5,403,963.73
Unrestricted	<u>355,668.70</u>

Total Net Assets 5,759,632.43

Total Liabilities and Net Assets \$ 6,565,601.40

See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended March 31, 2005

Operating Revenues:	
Rental revenue	\$ 793,709.72
Operating subsidies- HUD grants	591,910.00
Other revenues	<u>405,468.62</u>
Total operating revenues	<u>1,791,088.34</u>
Operating Expenses:	
Personal services	858,288.19
Utilities	286,772.84
Operations and maintenance	153,156.03
Insurance	75,050.94
Payment in lieu of taxes	52,311.79
Other supplies and expenses	105,611.60
Depreciation	<u>535,194.33</u>
Total operating expenses	<u>2,066,385.72</u>
Operating income (loss)	<u>(275,297.38)</u>
Non-operating revenues (expenses):	
Interest and investment earnings	2,924.68
Interest expense	(37,260.88)
Other revenue (expenses) net from sale of property	(92,378.63)
Gain (Loss) on sale of fixed assets	<u>(31,552.01)</u>
Net non-operating revenues (expenses)	<u>(158,266.84)</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(433,564.22)
Capital contributions	<u>311,135.68</u>
Change in net assets	(122,428.54)
Net assets at beginning of year	5,879,513.68
Prior period error corrections	<u>2,547.29</u>
Net assets adjusted at beginning of year	<u>5,882,060.97</u>
Net assets at end of year	<u>\$ 5,759,632.43</u>

See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF CASH FLOWS

For Year Ended March 31, 2005

Cash flows from operating activities:	
Cash received from tenants	\$ 773,830.35
Cash received from HUD grants- operating	547,124.00
Cash received from other operating activities	404,317.38
Cash payments for goods and services	(574,524.09)
Cash payments to employees-salaries	(632,533.08)
Cash payments for employee benefit contributions	(226,247.15)
Cash payments for in lieu of property taxes	<u>(50,804.81)</u>
Net cash provided (used) by operating activities	<u>241,162.60</u>
Cash flows from capital and related financing activities:	
Proceeds from capital debt	150,000.00
Capital contributions	304,884.47
Receipts (payments) from deferred credits and escrow deposits	(4,194.12)
Payments for capital assets	(331,872.93)
Payments for inventory held for sale	(264,891.94)
Principal paid on capital debt	(26,077.02)
Interest paid on capital debt	<u>(36,864.26)</u>
Net cash (used) for capital and related financing activities	<u>(209,015.80)</u>
Cash flows from investing activities:	
Proceeds from sale of (payments) for investments	(51,576.72)
Interest and dividends	2,783.53
Other revenue	(92,378.63)
Receipts (payments) from tenant security deposits	<u>8,272.50</u>
Net cash provided (used) from investing activities	<u>(132,899.32)</u>
Net increase (decrease) in cash and cash equivalents	(100,752.52)
Cash and cash equivalents at beginning of year	205,598.37
Adjustments to beginning cash- error correction	<u>6.00</u>
Cash and cash equivalents at beginning of year- adjusted	<u>205,604.37</u>
Cash and cash equivalents at end of year	<u>\$ 104,851.85</u>

See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended March 31, 2005

Cash and cash equivalents	\$ 103,121.18
Restricted cash and cash equivalents	<u>1,730.67</u>
Total cash and cash equivalents at end of year	<u>\$ 104,851.85</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (275,297.38)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	535,194.33
Allowance for doubtful accounts	(3,446.35)
Changes in assets and liabilities:	
Receivables	(58,339.73)
Inventory	1,552.62
Prepaid expenses	41,152.14
Accounts and other payables	8,024.41
Deferred revenues	(7,185.40)
Compensated absences	1,051.86
Accrued expenses	<u>(1,543.90)</u>
Net cash provided (used) by operating activities	<u>\$ 241,162.60</u>

See notes to financial statements

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

March 31, 2005

NOTE 1 - Summary of Significant Accounting Policies

The Big Rapids Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended March 31, 2005, the Housing Commission implemented the new financial reporting requirements of GASB Statement No 34. As a result, an entirely new financial presentation format has been implemented.

1a. Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government: Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB no 39, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1b. Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Commission's programs as an enterprise fund.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description				
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.				
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.				
Home-ownership-	The Commission operates a Home-ownership Program funded through grants from Michigan State Housing Development Authority and provides for the purchase and renovation of homes within the City of Big Rapids. These homes are sold to qualified buyers at their appraised value. Participants in the Commission's Family Self Sufficiency Program are given a priority to purchase the renovated homes.				
Business Activities	<p>The business activities of the Commission are comprised of the following:</p> <table><tr><td>Historical Project -</td><td>The Commission has a wholly owned subsidiary called the Big Rapids Housing Inc. which is the general partner of the Nisbett-Fairman Limited Dividend Housing Association Limited Partnership. The Partnership operates 47 residential apartments on the 2nd and 3rd floors of the Nisbett and Fairman buildings while the Commission retains ownership of the 1st floor commercial spaces in both buildings.</td></tr><tr><td>Childcare Center-</td><td>In August 2000 the Commission constructed a learning /childcare center which is the Stepping Stones Childcare Center. The center is currently licensed for 55 children.</td></tr></table>	Historical Project -	The Commission has a wholly owned subsidiary called the Big Rapids Housing Inc. which is the general partner of the Nisbett-Fairman Limited Dividend Housing Association Limited Partnership. The Partnership operates 47 residential apartments on the 2 nd and 3 rd floors of the Nisbett and Fairman buildings while the Commission retains ownership of the 1 st floor commercial spaces in both buildings.	Childcare Center-	In August 2000 the Commission constructed a learning /childcare center which is the Stepping Stones Childcare Center. The center is currently licensed for 55 children.
Historical Project -	The Commission has a wholly owned subsidiary called the Big Rapids Housing Inc. which is the general partner of the Nisbett-Fairman Limited Dividend Housing Association Limited Partnership. The Partnership operates 47 residential apartments on the 2 nd and 3 rd floors of the Nisbett and Fairman buildings while the Commission retains ownership of the 1 st floor commercial spaces in both buildings.				
Childcare Center-	In August 2000 the Commission constructed a learning /childcare center which is the Stepping Stones Childcare Center. The center is currently licensed for 55 children.				

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1d. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accounts receivable - miscellaneous, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$100.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	3-40	years
Furniture, equipment and machinery - dwelling	10-15	years
Furniture, equipment and machinery - administration	3-15	years
Leasehold improvements	3-40	years
Organization costs	40	years

Restricted Assets

Restricted assets include cash and investments legally restricted as to their use. The primary restricted assets are related to the Family Self Sufficiency which is under Department of Housing and Urban Development.

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

1e. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Activities, all interfund transfers between individual programs, if any, have been eliminated.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 2 - Stewardship, Compliance, and Accountability

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

2a. Program Accounting Requirements

The Commission's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Home Ownership	U.S. Department of Housing and Urban Development
Business Activities	State of Michigan and Commission

2b. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2c. Revenue Restrictions

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended March 31, 2005, the Commission complied, in all material respects, with these revenue restrictions.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3a. Cash and Investments

Deposits

The Commission's policies regarding deposits of cash are discussed in Note 1d. The table presented below is designed to disclose the level of custody credit risk assumed by the Commission based upon how its deposits were insured or secured with collateral at March 31, 2005. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the Commission (or public trust) or by its agent in its name

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Commission's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Custody Credit Risk			Total Carrying Value, net of overdraft
		Category 1	Category 2	Category 3	
Demand deposits	\$ 129,189.31	\$ 129,189.31	\$ ----	\$ ----	\$ 97,166.79
Total Deposits	\$ 129,189.31	\$ 129,189.31	\$ ----	\$ ----	\$ 97,166.79

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3a. Cash and Investments (Continued)

Investments

The Commission's policies and applicable laws regarding investments are discussed in Notes 1d. and 2b. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2005. The categories of credit risk are defined as follows:

Category 1—Insured or registered with securities held by the Commission or its agent in the Commission's name

Category 2—Uninsured and unregistered with securities held by counterparty's trust department or agent in the Commission's name

Category 3—Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Commission's name

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Certificate of Deposit	\$ 140,266.85	\$ ----	\$ ----	\$ 140,266.85	\$ 140,266.85
	<u>\$ 140,266.85</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 140,266.85</u>	<u>\$ 140,266.85</u>

3b. Restricted Assets

The restricted assets as of March 31, 2005, are as follows:

Type of Restricted Assets	Cash Including Time Deposits	Investments	Accrued Interest	Total
FSS escrow	\$ 1,730.67	\$ ----	\$ ----	\$ 1,730.67
	<u>\$ 1,730.67</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 1,730.67</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3c. Accounts Receivable

Accounts receivable consist of tenant accounts receivable and Department of Housing and Urban Development accounts receivable. Receivables detail at March 31, 2005, is as follows:

Tenant accounts receivable	\$ 9,313.79
Allowance for doubtful accounts	<u>(2,381.72)</u>
Tenants accounts receivable - net	6,932.07
Accounts receivable - HUD	12,956.71
Accounts receivable - other government	52,913.00
Accounts receivable - other	14,690.72
Allowance for doubtful accounts - other	<u>(149.96)</u>
	<u>\$ 87,342.54</u>

3d Capital Assets

Capital asset activity for the year ended March 31, 2005, was as follows:

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance March 31, 2005</u>
Land	\$ 337,455.45	\$ ----	\$ ----	\$ 337,455.45
Building	12,441,272.62	469,437.77	(33,812.99)	12,876,897.40
Furniture, equipment and machinery-dwelling	167,435.00	5,121.00	----	172,556.00
Furniture, equipment and machinery-administration	285,494.56	26,837.87	----	312,332.43
Leasehold improvements	626,813.99	1,725.00	----	628,538.99
Construction in progress	<u>171,248.71</u>	<u>----</u>	<u>(171,248.71)</u>	<u>----</u>
	14,029,720.33	<u>\$ 503,121.64</u>	<u>\$ (205,061.70)</u>	14,327,780.27
Accumulated depreciation	<u>7,973,923.00</u>	<u>\$ 534,985.88</u>	<u>\$ (2,260.98)</u>	<u>8,506,647.90</u>
Total	<u>\$ 6,055,797.33</u>			<u>\$ 5,821,132.37</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3e. Accounts Payable

Payables are composed of payables to vendors and other government as follows:

Vendors	\$ 45,857.09
Accrued liabilities - other	1,000.00
Other government - PILOT	<u>37,713.22</u>
	<u>\$ 84,570.31</u>

3f. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at March 31, 2005 is \$46,648.07.

3g. Non-current Liabilities

As of March 31, 2005, the non-current liabilities are comprised of the following:

Accrued Compensated Absences - non current portion	\$ 25,360.73
Deferred credits and escrow deposits - FSS escrow	<u>1,730.67</u>
Total	<u>\$ 27,091.40</u>

The following is a summary of changes in non-current liabilities for the year ended March 31, 2005:

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2005</u>	<u>Amounts Due within One Year</u>
Deferred credits and escrow deposits	\$ 5,924.79	\$ ----	\$ 4,194.12	\$ 1,730.67	\$ ----
Accrued Compensated Absences	<u>22,344.00</u>	<u>3,016.73</u>	<u>----</u>	<u>25,360.73</u>	<u>21,287.34</u>
Total	<u>\$ 28,268.79</u>	<u>\$ 3,016.73</u>	<u>\$ 4,194.12</u>	<u>\$ 27,091.40</u>	<u>\$ 21,287.34</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3h. Long-term Debt

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended March 31, 2005:

Type of Debt	Balance April 1, 2004	Additions	Deductions	Balance March 31, 2005	Amounts Due within One Year
Notes Payable	\$ 417,239.66	\$ ----	\$ 28,031.64	\$ 389,208.02	\$ 177,960.62
Total	\$ 417,239.66	\$ 0.00	\$ 28,031.64	\$ 389,208.02	\$ 177,960.62

The Big Rapids Housing Commission has two outstanding notes as of the year ended March 31, 2005:

- 1) The Commission borrowed \$480,780.33 from Chemical Bank on August 8, 2002. As of March 31, 2005 the balance is \$417,168.64. The interest rate is 7.25%. The note is secured by two parcels of real estate located at 101 and 102 S. Michigan Avenue in Big Rapids, Michigan. There are to be 59 payments of \$4,775 beginning September 8, 2002, with the final payment due on August 8, 2007.
- 2) The Commission borrowed \$150,000.00 from Chemical Bank West on May 13, 2004. As of March 31, 2005 the balance is \$150,000.00. The interest rate is 6.75% (1% over prime). The note is an unsecured note which matures on May 13, 2005.

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of March 31, 2005, are as follows:

Year Ending March 31	Note Payable Principal
2006	\$ 177,960.62
2007	30,056.50
2008	32,309.47
2009	34,731.34
2010	37,334.72
until maturity	254,775.99
Total	\$ 567,168.64

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3i. Interprogram Transactions and Balances

Operating Transfers

	Transfers in	Transfers out
Public and Indian Housing - Low Rent Capital Fund Program	\$ 90,000.00	\$ ----
	----	90,000.00
Total	\$ <u>90,000.00</u>	\$ <u>90,000.00</u>

Transfers are used to move revenues from the program that is authorized to transfer them to the program in accordance with budgetary authorizations.

Interprogram Receivable/Payable

Public and Indian Housing - Low Rent Capital Fund Program	\$ 211,273.31
Business Activities - Historical Project	(12,956.71)
Home Ownership	(51,780.00)
Business Activities - Childcare Center	(106,366.22)
	<u>(40,170.38)</u>
Total	\$ <u>----</u>

3j. Unrestricted net assets - Prior-period Error Corrections

Following is the composite of error corrections:

1. Cash - Void check	\$ 6.00
2. Deferred revenue - To correct CFP funds incorrectly shown in Low Rent	8,217.00
3. Accounts receivable - HUD - To correct CFP funds incorrectly shown in Low Rent	(8,217.00)
4. Accounts receivable - Record reimbursement from Republic Management for insurance expense	<u>2,541.29</u>
Totals	\$ <u>2,547.29</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 4 - Other Notes

4a. Employee Retirement Plan

The Commission has the following employee retirement plans:

Defined Benefit Plan for employees hired before July 1, 1999:

A defined benefit plan depends on the amount of pension benefits to be provided at a future date of after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation. Employees who were hired before July 1, 1999 and did not timely elect to participate in defined contribution plan are enrolled in this plan. The Housing Commission contributed 6.66% of covered payroll.

For the year ended March 31, 2005, the following amounts related to the defined benefit plan:

Commission total payroll	\$ 630,989.18
Payroll for covered employees	\$ 272,219.67
Employer (Commission) contribution made	\$ 18,129.83

Defined Contribution Plan for employees hired on or after July 1, 1999:

A defined contribution plan depends solely on the amounts contributed to the plan plus investment earnings. Employees who were hired on or after July 1, 1999 are enrolled in defined contribution plan. The Housing Commission contributed 7.00% of covered payroll. The Housing Commission's contribution for each employee is fully vested after 7 years of continuous service.

For the year ended March 31, 2005, the following amounts related to the defined contribution plan:

Commission total payroll	\$ 630,989.18
Payroll for covered employees	\$ 233,106.00
Employer (Commission) contribution made	\$ 16,317.42

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2005

NOTE 4 - Other Notes (Continued)

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with HAARG - Housing Authority Accounting Risk Retention Group.
b. Injuries to employees (workers' compensation)	Purchased insurance with Liberty Mutual. Claims are administered by Liberty Mutual.
c. Physical property loss and natural disasters	Purchased commercial insurance with no deductibles.
d. Health and life	Purchased health insurance with Blue Cross and Blue Shield of Michigan; Life insurance is provided by Fort Dearborn Life.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4c. Commitments and Contingencies

Commitments—Construction

At March 31, 2005, the Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-03	\$ 400,162.00	\$ 382,248.47
CFP 502-03	79,750.00	57,493.83
CFP 501-04	<u>463,429.00</u>	<u>231,622.69</u>
	<u>\$ 943,341.00</u>	<u>\$ 671,364.99</u>

Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM

March 31, 2005

	Low Rent Program	Capital Fund Program	Business Activities- Historical Project
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 74,395.35	\$ ----	\$ 16,717.96
Investments	140,266.85	----	----
Receivable - net of allowances:			
Accounts	13,144.07	12,956.71	2,324.56
Accrued interest	289.49	----	----
Notes	----	----	23,763.92
Due from (to) interprogram	211,273.31	(12,956.71)	(51,780.00)
Inventory - net of allowances	6,541.36	----	----
Prepaid expenses	43,804.99	----	7,917.00
Total Current Assets	<u>489,715.42</u>	<u>----</u>	<u>(1,056.56)</u>
Noncurrent Assets:			
Restricted assets:			
Cash and cash equivalents	<u>1,730.67</u>	<u>----</u>	<u>----</u>
Total restricted assets	<u>1,730.67</u>	<u>----</u>	<u>----</u>
Capital assets:			
Land, improvements, and construction in progress	234,748.45	----	84,400.00
Other capital assets, net of depreciation	<u>4,057,072.43</u>	<u>831,960.09</u>	<u>567,816.82</u>
Total capital assets- net	<u>4,291,820.88</u>	<u>831,960.09</u>	<u>652,216.82</u>
Other assets			
Investment in joint venture	----	----	1,000.00
Organization costs- net	----	----	<u>7,087.16</u>
Total other assets- net	<u>----</u>	<u>----</u>	<u>8,087.16</u>
Total Noncurrent Assets	<u>4,293,551.55</u>	<u>831,960.09</u>	<u>660,303.98</u>
Total Assets	<u>\$ 4,783,266.97</u>	<u>\$ 831,960.09</u>	<u>\$ 659,247.42</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

March 31, 2005

	Low Rent Program	Capital Fund Program	Business Activities- Historical Project
LIABILITIES			
Current Liabilities:			
Bank overdraft	\$ 7,385.06	\$ ----	\$ ----
Accounts Payable	77,494.95	----	4,784.92
Accrued salaries, wages and benefits	811.50	----	----
Accrued compensated absences	19,077.20	----	----
Tenant security deposit liability	75,711.00	----	9,940.00
Interest payable	----	----	1,905.83
Current portion of long term debt	----	----	27,960.62
Deferred revenues	5,964.74	----	2,490.38
Total Current Liabilities	<u>186,444.45</u>	<u>----</u>	<u>47,081.75</u>
Noncurrent Liabilities:			
Long term debt	----	----	389,208.02
Accrued compensated absences	25,360.73	----	----
Deferred credits and escrow deposits	1,730.67	----	----
Total Noncurrent Liabilities	<u>27,091.40</u>	<u>----</u>	<u>389,208.02</u>
Total Liabilities	<u>213,535.85</u>	<u>----</u>	<u>436,289.77</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,291,820.88	831,960.09	235,048.18
Unrestricted	<u>277,910.24</u>	<u>----</u>	<u>(12,090.53)</u>
Total Net Assets	<u>4,569,731.12</u>	<u>831,960.09</u>	<u>222,957.65</u>
Total Liabilities and Net Assets	\$ <u>4,783,266.97</u>	\$ <u>831,960.09</u>	\$ <u>659,247.42</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

March 31, 2005

	Home Ownership	Business Activities- Childcare Center	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 662.92	\$ 11,344.95	\$ 103,121.18
Investments	-----	-----	140,266.85
Receivable - net of allowances:			
Accounts	56,067.87	2,849.33	87,342.54
Accrued interest	-----	-----	289.49
Notes	-----	-----	23,763.92
Due from (to) interprogram	(106,366.22)	(40,170.38)	-----
Inventory - net of allowances	-----	-----	6,541.36
Inventory - held for sale	320,651.71	-----	320,651.71
Prepaid expenses	-----	952.16	52,674.15
	<u>271,016.28</u>	<u>(25,023.94)</u>	<u>734,651.20</u>
Total Current Assets			
Noncurrent Assets:			
Restricted assets:			
Cash and cash equivalents	-----	-----	1,730.67
	<u>-----</u>	<u>-----</u>	<u>1,730.67</u>
Total restricted assets			
Capital assets:			
Land, improvements, and construction in progress	18,307.00	-----	337,455.45
Other capital assets, net of depreciation	<u>24,137.86</u>	<u>2,689.72</u>	<u>5,483,676.92</u>
	<u>42,444.86</u>	<u>2,689.72</u>	<u>5,821,132.37</u>
Total capital assets- net			
Other assets			
Investment in joint venture	-----	-----	1,000.00
Organization costs- net	-----	-----	7,087.16
	<u>-----</u>	<u>-----</u>	<u>8,087.16</u>
Total other assets- net			
	<u>42,444.86</u>	<u>2,689.72</u>	<u>5,830,950.20</u>
Total Noncurrent Assets			
Total Assets	\$ <u>313,461.14</u>	\$ <u>(22,334.22)</u>	\$ <u>6,565,601.40</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

March 31, 2005

	Home Ownership	Business Activities- Childcare Center	Totals
LIABILITIES			
Current Liabilities:			
Bank overdraft	\$ -----	\$ -----	\$ 7,385.06
Accounts Payable	850.97	1,439.47	84,570.31
Accrued salaries, wages and benefits	-----	-----	811.50
Accrued compensated absences	-----	2,210.14	21,287.34
Tenant security deposit liability	-----	-----	85,651.00
Interest payable	515.75	-----	2,421.58
Current portion of long term debt	150,000.00	-----	177,960.62
Deferred revenues	-----	1,127.02	9,582.14
	<u>151,366.72</u>	<u>4,776.63</u>	<u>389,669.55</u>
Total Current Liabilities			
Noncurrent Liabilities:			
Long term debt	-----	-----	389,208.02
Accrued compensated absences	-----	-----	25,360.73
Deferred credits and escrow deposits	-----	-----	1,730.67
	<u>-----</u>	<u>-----</u>	<u>416,299.42</u>
Total Noncurrent Liabilities			
Total Liabilities	<u>151,366.72</u>	<u>4,776.63</u>	<u>805,968.97</u>
NET ASSETS			
Invested in capital assets, net of related debt	42,444.86	2,689.72	5,403,963.73
Unrestricted	<u>119,649.56</u>	<u>(29,800.57)</u>	<u>355,668.70</u>
Total Net Assets	<u>162,094.42</u>	<u>(27,110.85)</u>	<u>5,759,632.43</u>
Total Liabilities and Net Assets	\$ <u>313,461.14</u>	\$ <u>(22,334.22)</u>	\$ <u>6,565,601.40</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM

For Year Ended March 31, 2005

	Low Rent Program	Capital Fund Program	Business Activities- Historical Project
Operating Revenues:			
Rental revenue	\$ 660,800.12	\$ -----	\$ 133,441.82
Operating subsidies- HUD grants	272,461.00	117,500.00	-----
Other revenues	62,343.50	-----	114,117.93
	<u>995,604.62</u>	<u>117,500.00</u>	<u>247,559.75</u>
Total operating revenues			
Operating Expenses:			
Personal services	603,490.67	27,500.00	12,046.22
Utilities	272,297.36	-----	4,880.69
Operations and maintenance	98,055.52	-----	40,634.55
Insurance	72,395.41	-----	1,131.00
Payment in lieu of taxes	37,713.22	-----	9,809.88
Other supplies and expenses	92,810.21	-----	5,899.98
Depreciation	469,207.42	46,640.28	18,068.13
	<u>1,645,969.81</u>	<u>74,140.28</u>	<u>92,470.45</u>
Total operating expenses			
Operating income (loss)	<u>(650,365.19)</u>	<u>43,359.72</u>	<u>155,089.30</u>
Non-operating revenues (expenses):			
Interest and investment earnings	2,829.86	-----	16.14
Interest expense	-----	-----	(31,103.85)
	<u>2,829.86</u>	<u>-----</u>	<u>(31,087.71)</u>
Net non-operating revenues (expenses)			
Income (loss) before other revenues, expenses, gains, losses and transfers	(647,535.33)	43,359.72	124,001.59
Capital contributions	-----	311,135.68	-----
Operating transfers in (out)	<u>90,000.00</u>	<u>(90,000.00)</u>	<u>-----</u>
Change in net assets	(557,535.33)	264,495.40	124,001.59

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2005

	Low Rent Program	Capital Fund Program	Business Activities- Historical Project
Net assets at beginning of year	4,744,191.51	950,533.63	96,414.77
Prior period error corrections	6.00	-----	2,541.29
Net assets adjusted at beginning of year	4,744,197.51	950,533.63	98,956.06
Equity transfers	383,068.94	(383,068.94)	-----
Net assets at end of year	\$ <u>4,569,731.12</u>	\$ <u>831,960.09</u>	\$ <u>222,957.65</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2005

	Home Ownership	Business Activities- Childcare Center	Totals
Operating Revenues:			
Rental revenue	\$ -----	\$ (532.22)	\$ 793,709.72
Operating subsidies- HUD grants	201,949.00	-----	591,910.00
Other revenues	12,341.44	216,665.75	405,468.62
	<u>214,290.44</u>	<u>216,133.53</u>	<u>1,791,088.34</u>
Total operating revenues			
Operating Expenses:			
Personal services	23,413.88	191,837.42	858,288.19
Utilities	2,742.36	6,852.43	286,772.84
Operations and maintenance	237.87	14,228.09	153,156.03
Insurance	-----	1,524.53	75,050.94
Payment in lieu of taxes	4,788.69	-----	52,311.79
Other supplies and expenses	678.90	6,222.51	105,611.60
Depreciation	893.45	385.05	535,194.33
	<u>32,755.15</u>	<u>221,050.03</u>	<u>2,066,385.72</u>
Total operating expenses			
Operating income (loss)	<u>181,535.29</u>	<u>(4,916.50)</u>	<u>(275,297.38)</u>
Non-operating revenues (expenses):			
Interest and investment earnings	61.71	16.97	2,924.68
Interest expense	(6,157.03)	-----	(37,260.88)
Other revenue (expenses) net from sale of property	(92,378.63)	-----	(92,378.63)
Gain (Loss) on sale of fixed assets	(31,552.01)	-----	(31,552.01)
	<u>(130,025.96)</u>	<u>16.97</u>	<u>(158,266.84)</u>
Net non-operating revenues (expenses)			
Income (loss) before other revenues, expenses, gains, losses and transfers	51,509.33	(4,899.53)	(433,564.22)
Capital contributions	-----	-----	311,135.68
Change in net assets	51,509.33	(4,899.53)	(122,428.54)

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2005

	Home Ownership	Business Activities- Childcare Center	Totals
Net assets at beginning of year	110,585.09	(22,211.32)	5,879,513.68
Prior period error corrections	-----	-----	2,547.29
Net assets adjusted at beginning of year	110,585.09	(22,211.32)	5,882,060.97
Net assets at end of year	\$ <u>162,094.42</u>	\$ <u>(27,110.85)</u>	\$ <u>5,759,632.43</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended March 31, 2005

	Low Rent Program	Capital Fund Program	Business Activities- Historical Project
Cash flows from operating activities:			
Cash received from tenants	\$ 642,683.71	\$ -----	\$ 131,725.38
Cash received from HUD grants- operating	280,588.00	117,500.00	-----
Cash received from other operating activities	63,824.86	-----	114,334.66
Cash payments for goods and services	(490,522.23)	-----	(48,594.03)
Cash payments to employees-salaries	(408,400.13)	(27,500.00)	(10,516.22)
Cash payments for employee benefit contributions	(195,146.29)	-----	(1,530.00)
Cash payments for in lieu of property taxes	(36,206.24)	-----	(9,809.88)
Net cash provided (used) by operating activities	<u>(143,178.32)</u>	<u>90,000.00</u>	<u>175,609.91</u>
Cash flows from noncapital financing activities:			
Operating transfers in (out)	90,000.00	(90,000.00)	-----
Receipts (payments) from interprograms	<u>5,094.66</u>	<u>8,127.00</u>	<u>(94,716.24)</u>
Net cash provided (used) from non capital financing activities	<u>95,094.66</u>	<u>(81,873.00)</u>	<u>(94,716.24)</u>
Cash flows from capital and related financing activities:			
Capital contributions	-----	304,884.47	-----
Receipts (payments) from interprograms	1,875.79	(1,875.79)	-----
Receipts (payments) from deferred credits and escrow deposits	(4,194.12)	-----	-----
Payments for capital assets	-----	(311,135.68)	(16,664.40)
Principal paid on capital debt	-----	-----	(26,077.02)
Interest paid on capital debt	-----	-----	(31,222.98)
Net cash (used) for capital and related financing activities	<u>(2,318.33)</u>	<u>(8,127.00)</u>	<u>(73,964.40)</u>
Cash flows from investing activities:			
Proceeds from sale of (payments) for investments	(51,576.72)	-----	-----
Interest and dividends	2,688.71	-----	16.14
Receipts (payments) from tenant security deposits	<u>4,482.50</u>	<u>-----</u>	<u>3,790.00</u>
Net cash provided (used) from investing activities	<u>(44,405.51)</u>	<u>-----</u>	<u>3,806.14</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2005

	Low Rent Program	Capital Fund Program	Business Activities- Historical Project
Net increase (decrease) in cash and cash equivalents	(94,807.50)	----	10,735.41
Cash and cash equivalents at beginning of year	170,927.52	----	5,982.55
Adjustments to beginning cash- error correction	6.00	----	----
Cash and cash equivalents at beginning of year- adjusted	170,933.52	----	5,982.55
Cash and cash equivalents at end of year	\$ <u>76,126.02</u>	\$ <u>----</u>	\$ <u>16,717.96</u>
Cash and cash equivalents	\$ 74,395.35	\$ ----	\$ 16,717.96
Restricted cash and cash equivalents	<u>1,730.67</u>	<u>----</u>	<u>----</u>
Total cash and cash equivalents at end of year	\$ <u>76,126.02</u>	\$ <u>----</u>	\$ <u>16,717.96</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (650,365.19)	\$ 43,359.72	\$ 155,089.30
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	469,207.42	46,640.28	18,068.13
Allowance for doubtful accounts	1,703.69	----	(5,300.00)
Changes in assets and liabilities:			
Receivables	(4,789.30)	----	5,516.73
Inventory	1,552.62	----	----
Prepaid expenses	36,730.88	----	3,472.71
Accounts and other payables	8,259.75	----	479.48
Deferred revenues	(5,422.44)	----	(1,716.44)
Compensated absences	1,488.15	----	----
Accrued expenses	<u>(1,543.90)</u>	<u>----</u>	<u>----</u>
Net cash provided (used) by operating activities	\$ <u>(143,178.32)</u>	\$ <u>90,000.00</u>	\$ <u>175,609.91</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2005

	Home Ownership	Business Activities- Childcare Center	Totals
Cash flows from operating activities:			
Cash received from tenants	\$ -----	\$ (578.74)	\$ 773,830.35
Cash received from HUD grants- operating	149,036.00	-----	547,124.00
Cash received from other operating activities	12,341.44	213,816.42	404,317.38
Cash payments for goods and services	(6,058.67)	(29,349.16)	(574,524.09)
Cash payments to employees-salaries	(21,750.00)	(164,366.73)	(632,533.08)
Cash payments for employee benefit contributions	(1,663.88)	(27,906.98)	(226,247.15)
Cash payments for in lieu of property taxes	(4,788.69)	-----	(50,804.81)
Net cash provided (used) by operating activities	<u>127,116.20</u>	<u>(8,385.19)</u>	<u>241,162.60</u>
Cash flows from noncapital financing activities:			
Receipts (payments) from interprograms	<u>71,427.57</u>	<u>10,067.01</u>	<u>-----</u>
Net cash provided (used) from non capital financing activities	<u>71,427.57</u>	<u>10,067.01</u>	<u>-----</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	150,000.00	-----	150,000.00
Capital contributions	-----	-----	304,884.47
Receipts (payments) from deferred credits and escrow deposits	-----	-----	(4,194.12)
Payments for capital assets	(3,172.85)	(900.00)	(331,872.93)
Payments for inventory held for sale	(264,891.94)	-----	(264,891.94)
Principal paid on capital debt	-----	-----	(26,077.02)
Interest paid on capital debt	(5,641.28)	-----	(36,864.26)
Net cash (used) for capital and related financing activities	<u>(123,706.07)</u>	<u>(900.00)</u>	<u>(209,015.80)</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended March 31, 2005

	Home Ownership	Business Activities- Childcare Center	Totals
Cash flows from investing activities:			
Proceeds from sale of (payments) for investments	-----	-----	(51,576.72)
Interest and dividends	61.71	16.97	2,783.53
Other revenue	(92,378.63)	-----	(92,378.63)
Receipts (payments) from tenant security deposits	-----	-----	8,272.50
Net cash provided (used) from investing activities	(92,316.92)	16.97	(132,899.32)
Net increase (decrease) in cash and cash equivalents	(17,479.22)	798.79	(100,752.52)
Cash and cash equivalents at beginning of year	18,142.14	10,546.16	205,598.37
Adjustments to beginning cash- error correction	-----	-----	6.00
Cash and cash equivalents at beginning of year- adjusted	18,142.14	10,546.16	205,604.37
Cash and cash equivalents at end of year	\$ 662.92	\$ 11,344.95	\$ 104,851.85
Cash and cash equivalents	\$ 662.92	\$ 11,344.95	\$ 103,121.18
Restricted cash and cash equivalents	-----	-----	1,730.67
Total cash and cash equivalents at end of year	\$ 662.92	\$ 11,344.95	\$ 104,851.85
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 181,535.29	\$ (4,916.50)	\$ (275,297.38)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	893.45	385.05	535,194.33
Allowance for doubtful accounts	-----	149.96	(3,446.35)
Changes in assets and liabilities:			
Receivables	(56,067.87)	(2,999.29)	(58,339.73)
Inventory	-----	-----	1,552.62
Prepaid expenses	-----	948.55	41,152.14
Accounts and other payables	755.33	(1,470.15)	8,024.41
Deferred revenues	-----	(46.52)	(7,185.40)
Compensated absences	-----	(436.29)	1,051.86
Accrued expenses	-----	-----	(1,543.90)
Net cash provided (used) by operating activities	\$ 127,116.20	\$ (8,385.19)	\$ 241,162.60

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS

Year Ended March 31, 2005

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u>		
	<u>Major - Direct Program</u>		
2005	Low Rent Program	14.850a	\$ <u>272,461.00</u>
	<u>Public and Indian Housing</u>		
	<u>Major - Direct Program</u>		
2005	Capital Fund program	14.872	\$ <u>428,635.68</u>
	<u>Public and Indian Housing</u>		
	<u>Nonmajor - Indirect Program</u>		
	<u>pass through - Michigan State</u>		
	<u>Housing Development Authority</u>		
2005	HOME Investment Partnership Program	14.239	\$ <u>201,949.00</u>
	Total		\$ <u>903,045.68</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS

March 31, 2005

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-02</u>
Funds approved	\$ 486,351.00
Funds expended	<u>486,351.00</u>
Excess of Funds Approved	\$ <u>-----</u>
 Funds advanced	 \$ 486,351.00
Funds expended	<u>486,351.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated September 23, 2004 submitted to HUD for approval is in agreement with the PHA's records as of March 31, 2005.
3. All costs have been paid and all related liabilities have been discharged through payments.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2005

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
Assets:				
Current Assets:				
Cash				
111	Cash-unrestricted	\$ 74,395.35	\$ ----	\$ 16,717.96
113	Cash-other restricted	1,730.67	----	----
100	Total cash	76,126.02	----	16,717.96
Accounts and notes receivable:				
122	Accounts receivable-HUD	----	12,956.71	----
125	Accounts receivable- miscellaneous	6,212.00	----	2,324.56
126	Accounts receivable- tenants-dwelling rents	9,313.79	----	----
126.1	Allowance for doubtful accounts-dwelling rents	(2,381.72)	----	----
127	Notes and mortgage receivable-current	----	----	23,763.92
129	Accrued interest receivable	289.49	----	----
120	Total receivables, net of allowance for doubtful accounts	13,433.56	12,956.71	26,088.48
Current investments:				
131	Investments-unrestricted	140,266.85	----	----
142	Prepaid expenses and other assets	43,804.99	----	7,917.00
143	Inventories	6,541.36	----	----
144/ (347)	Interprogram due from	211,273.31	(12,956.71)	(51,780.00)
150	Total current assets	491,446.09	----	(1,056.56)

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2005

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
	Noncurrent Assets:			
	Fixed assets:			
161	Land	234,748.45	----	84,400.00
162	Buildings	11,402,031.26	802,899.42	644,263.11
163	Furniture, equipment and machinery-dwellings	162,514.00	10,042.00	----
164	Furniture, equipment and machinery- administration	228,484.29	76,611.57	1,310.00
165	Leasehold improvements	620,375.99	8,163.00	----
166	Accumulated depreciation	<u>(8,356,333.11)</u>	<u>(65,755.90)</u>	<u>(77,756.29)</u>
160	Total fixed assets, net of accumulated depreciation	<u>4,291,820.88</u>	<u>831,960.09</u>	<u>652,216.82</u>
174	Other assets	----	----	7,087.16
176	Investment in joint venture	----	----	<u>1,000.00</u>
180	Total noncurrent assets	<u>4,291,820.88</u>	<u>831,960.09</u>	<u>660,303.98</u>
190	Total Assets	<u>\$ 4,783,266.97</u>	<u>\$ 831,960.09</u>	<u>\$ 659,247.42</u>
	Liabilities and Equity:			
	Liabilities:			
	Current Liabilities:			
311	Bank overdraft	\$ (7,385.06)	\$ ----	\$ ----
312	Accounts payable < 90 days	(39,781.73)	----	(3,784.92)
321	Accrued wage / payroll taxes payable	(811.50)	----	----
322	Accrued compensated absences- current portion	(19,077.20)	----	----
325	Accrued interest payable	----	----	(1,905.83)
333	Accounts payable -other government	(37,713.22)	----	----
341	Tenant security deposits	(75,711.00)	----	(9,940.00)
342	Deferred revenues	(5,964.74)	----	(2,490.38)
343	Current portion of L - T debt capital projects	----	----	(27,960.62)
346	Accrued liabilities-other	----	----	<u>(1,000.00)</u>
310	Total current liabilities	<u>(186,444.45)</u>	<u>----</u>	<u>(47,081.75)</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2005

FDS Line Item No.	Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
Noncurrent Liabilities:			
351 Long-term debt, net of current-capital projects	-----	-----	(389,208.02)
353 Noncurrent liabilities-other	(1,730.67)	-----	-----
354 Accrued compensated absences- non current portion	(25,360.73)	-----	-----
350 Total noncurrent liabilities	(27,091.40)	-----	(389,208.02)
300 Total liabilities	(213,535.85)	-----	(436,289.77)
Equity:			
508.1 Investment in capital assets , Net of Related Debt	(4,291,820.88)	(831,960.09)	(235,048.18)
512.1 Unrestricted Net Assets	(277,910.24)	-----	12,090.53
600 Total Liabilities and Equity	<u>\$ (4,783,266.97)</u>	<u>\$ (831,960.09)</u>	<u>\$ (659,247.42)</u>
Revenue:			
703 Net rental revenue	\$ (640,745.05)	\$ -----	\$ (133,441.82)
704 Tenant revenue-other	(22,739.96)	-----	-----
705 Total tenant revenue	(663,485.01)	-----	(133,441.82)
706 HUD PHA operating grants	(272,461.00)	(117,500.00)	-----
706.1 HUD PHA capital grants	-----	(311,135.68)	-----
711 Investment income-unrestricted	(2,829.86)	-----	(16.14)
715 Other revenue	(62,343.50)	-----	(114,117.93)
700 Total revenue	(1,001,119.37)	(428,635.68)	(247,575.89)

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2005

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
Expenses:				
	Administrative			
911	Administrative salaries	252,308.07	20,000.00	1,516.22
912	Auditing fees	3,800.00	----	----
914	Compensated absences	1,488.15	----	----
915	Employee benefit contributions-administrative	114,918.67	----	841.50
916	Other operating-administrative	65,094.08	----	5,899.98
	Tenant services			
924	Tenant services-other	19,352.83	----	----
	Utilities			
931	Water	94,435.61	----	1,539.83
932	Electricity	54,567.07	----	479.42
933	Gas	123,294.68	----	2,861.44
	Ordinary maintenance and operation			
941	Ordinary maintenance and operation-labor	154,548.16	----	9,000.00
942	Ordinary maintenance and operation-materials & other	41,168.68	----	9,583.64
943	Ordinary maintenance and operation-contract costs	56,094.16	----	31,050.91
945	Employee benefit contributions-ordinary maintenance	80,227.62	----	688.50
	Protective services			
951	Protective services-labor	----	7,500.00	----
952	Protective services-other contract costs	792.68	----	----

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2005

FDS Line Item No.	Low Rent Program 14.850a	Capital Fund Program 14.872	Business Activities- Historical Project -
General expenses			
961 Insurance premiums	72,395.41	----	1,131.00
962 Other general expense	4,563.30	----	----
963 Payments in lieu of taxes	37,713.22	----	9,809.88
964 Bad debts- tenant rents	2,684.89	----	----
967 Interest expense	----	----	31,103.85
969 Total operating expenses	<u>1,179,447.28</u>	<u>27,500.00</u>	<u>105,506.17</u>
970 Excess (deficit) operating revenue over operating expenses	<u>(178,327.91)</u>	<u>401,135.68</u>	<u>142,069.72</u>
974 Depreciation expense	<u>469,207.42</u>	<u>46,640.28</u>	<u>18,068.13</u>
Total expenses other than total operating	<u>469,207.42</u>	<u>46,640.28</u>	<u>18,068.13</u>
Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	(647,535.33)	354,495.40	124,001.59
1000			
1001 Operating transfers in	90,000.00	----	----
1002 Operating transfers out	----	<u>(90,000.00)</u>	----
Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	<u>\$ (557,535.33)</u>	<u>\$ 264,495.40</u>	<u>\$ 124,001.59</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2005

FDS Line Item No.		Home Ownership 14.239	Business Activities- Childcare Center -	Total
	Assets:			
	Current Assets:			
	Cash			
111	Cash-unrestricted	\$ 662.92	\$ 11,344.95	\$ 103,121.18
112	Cash-restricted-modernization and development	----	----	----
113	Cash-other restricted	----	----	1,730.67
100	Total cash	662.92	11,344.95	104,851.85
	Accounts and notes receivable:			
122	Accounts receivable-HUD	----	----	12,956.71
124	Accounts receivable- other government	52,913.00	----	52,913.00
125	Accounts receivable- miscellaneous	3,154.87	2,999.29	14,690.72
126	Accounts receivable- tenants-dwelling rents	----	----	9,313.79
126.1	Allowance for doubtful accounts-dwelling rents	----	----	(2,381.72)
126.2	Allowance for doubtful accounts-other	----	(149.96)	(149.96)
127	Notes and mortgage receivable-current	----	----	23,763.92
129	Accrued interest receivable	----	----	289.49
120	Total receivables, net of allowance for doubtful accounts	56,067.87	2,849.33	111,395.95
	Current investments:			
131	Investments-unrestricted	----	----	140,266.85
142	Prepaid expenses and other assets	----	952.16	52,674.15
143	Inventories	----	----	6,541.36
144/				
(347)	Interprogram due from	(106,366.22)	(40,170.38)	----
145	Assets held for sale	320,651.71	----	320,651.71
150	Total current assets	271,016.28	(25,023.94)	736,381.87

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2005

FDS Line Item No.	Home Ownership 14.239	Business Activities- Childcare Center -	Total
Noncurrent Assets:			
Fixed assets:			
161 Land	18,307.00	----	337,455.45
162 Buildings	26,803.61	900.00	12,876,897.40
163 Furniture, equipment and machinery-dwellings	----	----	172,556.00
164 Furniture, equipment and machinery- administration	----	5,926.57	312,332.43
165 Leasehold improvements	----	----	628,538.99
166 Accumulated depreciation	(2,665.75)	(4,136.85)	(8,506,647.90)
160 Total fixed assets, net of accumulated depreciation	42,444.86	2,689.72	5,821,132.37
174 Other assets	----	----	7,087.16
176 Investment in joint venture	----	----	1,000.00
180 Total noncurrent assets	42,444.86	2,689.72	5,829,219.53
190 Total Assets	\$ 313,461.14	\$ (22,334.22)	\$ 6,565,601.40
Liabilities and Equity:			
Liabilities:			
Current Liabilities:			
311 Bank overdraft	\$ ----	\$ ----	\$ (7,385.06)
312 Accounts payable < 90 days	(850.97)	(1,439.47)	(45,857.09)
321 Accrued wage / payroll taxes payable	----	----	(811.50)
322 Accrued compensated absences- current portion	----	(2,210.14)	(21,287.34)
325 Accrued interest payable	(515.75)	----	(2,421.58)
333 Accounts payable -other government	----	----	(37,713.22)
341 Tenant security deposits	----	----	(85,651.00)
342 Deferred revenues	----	(1,127.02)	(9,582.14)
343 Current portion of L - T debt capital projects	----	----	(27,960.62)
344 Current portion of L - T debt operating borrowings	(150,000.00)	----	(150,000.00)
346 Accrued liabilities-other	----	----	(1,000.00)
310 Total current liabilities	(151,366.72)	(4,776.63)	(389,669.55)

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2005

FDS Line Item No.	Home Ownership 14.239	Business Activities- Childcare Center -	Total
Noncurrent Liabilities:			
351 Long-term debt, net of current-capital projects	----	----	(389,208.02)
353 Noncurrent liabilities-other	----	----	(1,730.67)
354 Accrued compensated absences- non current portion	----	----	(25,360.73)
350 Total noncurrent liabilities	----	----	(416,299.42)
300 Total liabilities	<u>(151,366.72)</u>	<u>(4,776.63)</u>	<u>(805,968.97)</u>
Equity:			
508.1 Investment in capital assets , Net of Related Debt	<u>(42,444.86)</u>	<u>(2,689.72)</u>	<u>(5,403,963.73)</u>
512.1 Unrestricted Net Assets	<u>(119,649.56)</u>	<u>29,800.57</u>	<u>(355,668.70)</u>
600 Total Liabilities and Equity	<u>\$ (313,461.14)</u>	<u>\$ 22,334.22</u>	<u>\$ (6,565,601.40)</u>
Revenue:			
703 Net rental revenue	\$ ----	\$ ----	\$ (774,186.87)
704 Tenant revenue-other	----	----	(22,739.96)
705 Total tenant revenue	----	----	(796,926.83)
706 HUD PHA operating grants	(201,949.00)	----	(591,910.00)
706.1 HUD PHA capital grants	----	----	(311,135.68)
711 Investment income-unrestricted	(61.71)	(16.97)	(2,924.68)
713 Proceeds from disposition of assets held for sale	(131,419.20)	----	(131,419.20)
713.1 Cost of sale of assets	223,797.83	----	223,797.83
715 Other revenue	(12,341.44)	(216,665.75)	(405,468.62)
716 Gain on sale of fixed assets	<u>31,552.01</u>	----	<u>31,552.01</u>
700 Total revenue	<u>(90,421.51)</u>	<u>(216,682.72)</u>	<u>(1,984,435.17)</u>

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2005

FDS Line Item No.		Home Ownership 14.239	Business Activities- Childcare Center -	Total
	Expenses:			
	Administrative			
911	Administrative salaries	16,750.00	164,366.73	454,941.02
912	Auditing fees	-----	-----	3,800.00
914	Compensated absences	-----	(436.29)	1,051.86
915	Employee benefit contributions-administrative	1,281.38	27,906.98	144,948.53
916	Other operating-administrative	678.90	6,222.51	77,895.47
	Tenant services			
924	Tenant services-other	-----	-----	19,352.83
	Utilities			
931	Water	882.80	2,367.81	99,226.05
932	Electricity	365.60	3,404.55	58,816.64
933	Gas	1,493.96	1,080.07	128,730.15
	Ordinary maintenance and operation			
941	Ordinary maintenance and operation-labor	5,000.00	-----	168,548.16
942	Ordinary maintenance and operation-materials & other	-----	12,325.13	63,077.45
943	Ordinary maintenance and operation-contract costs	237.87	1,902.96	89,285.90
945	Employee benefit contributions-ordinary maintenance	382.50	-----	81,298.62
	Protective services			
951	Protective services-labor	-----	-----	7,500.00
952	Protective services-other contract costs	-----	-----	792.68

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2005

FDS Line Item No.	Home Ownership 14.239	Business Activities- Childcare Center -	Total
General expenses			
961 Insurance premiums	----	1,524.53	75,050.94
962 Other general expense	----	----	4,563.30
963 Payments in lieu of taxes	4,788.69	----	52,311.79
964 Bad debts- tenant rents	----	532.22	3,217.11
967 Interest expense	6,157.03	----	37,260.88
969 Total operating expenses	38,018.73	221,197.20	1,571,669.38
970 Excess (deficit) operating revenue over operating expenses	52,402.78	(4,514.48)	412,765.79
974 Depreciation expense	893.45	385.05	535,194.33
Total expenses other than total operating	893.45	385.05	535,194.33
Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	51,509.33	(4,899.53)	(122,428.54)
1000			
1001 Operating transfers in	----	----	90,000.00
1002 Operating transfers out	----	----	(90,000.00)
Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ 51,509.33	\$ (4,899.53)	\$ (122,428.54)

Sailor

Khan & Co.

Certified Public Accountants

**Report on Compliance and on Internal Control Over Financial Reporting Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Commissioners
Big Rapids Housing Commission
Big Rapids, Michigan

We have audited the financial statements of the Big Rapids Housing Commission, Michigan, (Commission) as of and for the year ended March 31, 2005, and have issued our report thereon dated June 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

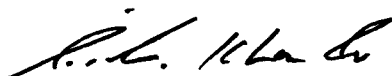
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness.

This report is intended for the information of the Big Rapids Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.
June 9, 2005

Sailor Khan & Co.

Certified Public Accountants

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Commissioners
Big Rapids Housing Commission
Big Rapids, Michigan

Compliance

We have audited the compliance of the Big Rapids Housing Commission, Michigan, (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2005. The Commission's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs.

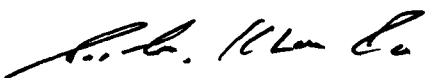
Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal program. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the Commission's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness.

This report is intended for the information of the Big Rapids Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.
June 9, 2005

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

STATUS OF PRIOR AUDIT FINDINGS

March 31, 2005

The prior audit report for the year ended March 31, 2004 contained no audit findings.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2005

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133?	Yes
Identification of major programs:	

CFDA

Number(s)	Name of Federal Program
------------------	--------------------------------

14-850a	Public and Indian Housing
14-872	Public and Indian Housing - Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

March 31, 2005

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended March 31, 2005 disclosed the following Financial Statement audit finding:

1. Notes Receivables.

Criteria:

The Housing Commission must maintain specific identification of notes receivable along with adequate supporting documentation.

Condition:

We were unable to verify note receivable from Nisbett-Fairman Limited Partnership in the amount of \$23,763.92 in the Historical Project at March 31, 2005.

Questioned Costs:

None

Effect:

The note receivable in the Historical Project may not be an accurate representation at March 31, 2005.

Cause:

Unknown.

Recommendation:

We recommend that the Housing Commission take immediate steps to verify the aforementioned note receivable and to present all financial information accurately.

Management's Response/Action Plan:

The Big Rapids Housing Commission will provide account verification from Nisbett-Fairman Limited Partnership to accountant/auditor and/or reconcile any differences in the notes receivable of \$23,763.92.

The Executive Director will be responsible for resolving the findings with thirty days of release of the final audit report.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

March 31, 2005

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended March 31, 2005 disclosed the following Federal Awards audit findings:

2. Budget Overruns

Federal Award:

14.850a - Public and Indian Housing - Low Rent Program

Criteria:

The Housing Commission must operate within budget constraints.

Condition:

We noted the following budget overruns for the year ended March 31, 2005:

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Overrun</u>
Ordinary maintenance and operations	\$ 211,380.00	\$ 251,811.00	\$ (40,431.00)
Utilities	243,590.00	272,297.36	(28,707.36)
Administrative expense	308,490.00	322,890.30	(14,400.30)
Tenant services	6,950.00	19,352.83	(12,402.83)
Protective services	750.00	792.68	(42.68)
Total expenditures	1,088,200.00	1,179,447.28	(91,247.28)

Questioned Cost:

None

Effect:

The Housing Commission exceeded the operating budget in the aforementioned categories.

Cause:

The Housing Commission did not ensure that these budget categories were not exceeded.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

March 31, 2005

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

2. Budget Overruns (Continued)

Recommendation:

We recommend that the Housing Commission place greater emphasis on operating within budget constraints. Also, when it appears that the current budget has become insufficient, the Housing Commission must prepare a budget revision.

Management's Response/Action Plan:

The Big Rapids Housing Commission understands the need to operate withing budget constraints and, in the future, will prepare a budget revision when it appears that the initial budget is inadequate.

The Executive Director will be responsible for resolving the findings with thirty days of release of the final audit report.

BIG RAPIDS HOUSING COMMISSION

Big Rapids, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

March 31, 2005

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

3. Minutes Not Signed

Federal Award:

14-850a - Public and Indian Housing - Low Rent Program

Criteria:

Minutes of meetings of the Board are incomplete unless they are signed by the Chairman and the Secretary.

Condition:

We noted that minutes of the Board of Commissioners were not signed by the Board Chairman.

Questioned Costs:

None

Effect:

Minutes of meetings are incomplete.

Cause:

The Housing Commission did not place emphasis on the completeness of the Board minutes.

Recommendation:

We recommend that the Housing Commission ensure that all minutes are adequately signed in order to ensure their completeness.

Management's Response/Action Plan:

The Big Rapids Housing Commission will ensure that all future minutes are signed by the President of the Commission as well as the Secretary.

The Executive Director will be responsible for resolving the findings with thirty days of release of the final audit report.